

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature			Date	

LINCOLN PARK HOUSING COMMISSION

Financial Statements

March 31, 2005

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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**LINCOLN PARK HOUSING COMMISSION**  
30100 John Rivers Drive  
Lincoln Park, Michigan 48048

This discussion and analysis of the Lincoln Park Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

**Entity-Wide Statements**

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

**Fund Statements**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

**Entity-Wide Financial Highlights**

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2005</u>	<u>Year 2004</u>
Operating Subsidies	\$ 200,049	\$ 195,935
Section 8 Housing Choice Vouchers	1,859,637	1,835,047
Section 8 Mod Rehab	137,930	143,005
Capital Projects Funds	101,768	122,002

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 424,695	\$ 364,214	60,481
Accounts Receivable	2,145	73,636	(71,491)
Prepaid Expenses	16,318	10,636	5,682
Fixed Assets, prior to Depreciation	5,704,378	5,704,276	102
Total Liabilities	124,735	128,096	(3,361)
Net Assets	1,822,464	2,032,726	(210,262)

	<u>Year 2005</u>	<u>Year 2004</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	268,348	264,214	4,134
HUD Grants	2,299,384	2,315,989	(16,605)
Other Revenues	<u>47,431</u>	<u>54,539</u>	(7,108)
Total Revenue	<u>2,615,163</u>	<u>2,634,742</u>	(19,579)
Expenses:			
Administrative	337,906	337,050	856
Utilities	119,853	116,310	3,543
Maintenance & Operations	189,847	201,797	(11,950)
Protective Services	3,913	7,570	(3,657)
General Expenses	<u>59,465</u>	<u>45,770</u>	13,695
Total Operating Expenses	<u>710,984</u>	<u>708,497</u>	2,487
Depreciation Expense	221,064	218,920	2,144
Housing Assistance Payments	<u>1,893,381</u>	<u>1,811,092</u>	82,289
Total Non Operating Exp	<u>2,114,445</u>	<u>2,030,012</u>	84,433
Total Expenses	<u>2,825,429</u>	<u>2,738,509</u>	86,920
Net Change in Net Assets	(210,266)	(103,767)	(106,499)

Our cash position increased by about the same amount as our accounts receivable decreased; receivables decreased as a result of no HUD accounts receivable in the current year. Net Assets decreased by the amount of the loss for the year.

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, Capital grants authorized and obligated during the year, and Housing Assistance grants. Total HUD grants were lower by \$ 16,605, which is less than 1% difference.

Total revenues decreased by less than 1% for the year; total operating expenses increased by less than 1%; housing assistance payments increased approximately 4% as a result of over-leasing and dropping the payment standard to 90% of standard. The loss in Net Assets increased by the amount of total loss of income and increase in total expenses.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2005</u>	<u>Year 2004</u>
Low Rent Public Housing	119	119
Section 8 Vouchers	289	289
Section 8 Mod Rehab	35	35

### **General Fund Budgetary Highlights**

The Commission approved an operating budget on June 10, 2004 for the fiscal year ending March 31, 2005, and we did not feel the need to amend the budget.

No significant differences between budget and actual were noted, the total actual loss was \$ 8,785 more than budget.

### **Entity Wide Capital Assets**

The fixed assets increased \$ 102 prior to depreciation. We used our entire Capital Fund for operations, \$ 101,768.

### **Commission's Position**

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Sabrina Gaddy, Property Supervisor  
% Fourmidable  
32605 W 12 Mile Road  
Farmington Hills, Michigan 48334

***John C. DiPiero, P.C.***

Certified Public Accountant

P. O. Box 378  
Hemlock, Michigan 48626  
Tel / Fax (989) 642-2092

Board of Commissioners  
Lincoln Park Housing Commission  
1356 Electric  
Lincoln Park, Michigan 48146

### **Independent Auditor's Report**

I have audited the financial statements listed in the Table of Contents of the Lincoln Park Housing Commission as of and for the year ended March 31, 2005. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1 to the financial statements, the Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis -for State and Local Governments* as of April 1, 2004. This results in a change in the format and content of the basic financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lincoln Park Housing Commission as of March 31, 2005, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplemental Information**

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### **Combining Financial Statements**

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

August 5, 2005



LINCOLN PARK HOUSING COMMISSION  
Statement of Net Assets  
March 31, 2005

**ASSETS**

**C-3175**

CURRENT ASSETS

Cash & Cash Equivalents	\$	424,695	
Accounts Receivable (Net of allowance of \$ 6,75)		0	
Accounts Receivable- Miscellaneous		2,145	
Prepaid Expenses		<u>16,318</u>	
Total Current Assets	\$		443,154

NON CURRENT ASSETS

Land	\$	87,209	
Buildings		1,737,499	
Furniture, Equipment- Dwellings		73,220	
Furniture, Equipment- Administrative		140,875	
Leasehold Improvements		3,665,575	
Accumulated Depreciation		<u>(4,200,333)</u>	
Total Non Current Assets			<u>1,504,045</u>

TOTAL ASSETS

\$ 1,947,199

LINCOLN PARK HOUSING COMMISSION  
Statement of Net Assets  
March 31, 2005

**LIABILITIES**

**C-3175**

CURRENT LIABILITIES

Accounts Payable	\$	9,021	
Accrued Wages & Payroll Taxes		11,127	
Accounts Payable- Other Government		30,266	
Accounts Payable- HUD		24,834	
Tenants Security Deposit		31,239	
Deferred Revenue		3,358	
Accrued Liabilities-Other		<u>14,890</u>	
<u>TOTAL LIABILITIES</u>			\$ <u>124,735</u>

**Net Assets**

Investment in Fixed Assets			
net of Related Debt	\$	1,504,045	
Unrestricted Net Assets		<u>318,419</u>	
<u>TOTAL NET ASSETS</u>			<u>1,822,464</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

LINCOLN PARK HOUSING COMMISSION  
Statement of Revenues, Expenses, and Changes in Net Assets  
For the year ended March 31, 2005

	<u>Business Type Activities</u>
<u>OPERATING REVENUE</u>	
Tenant Rental Revenue	\$ 268,348
HUD Grants	2,299,384
Interest Income	2,353
Other Income	<u>45,078</u>
 <u>Total Operating Revenue</u>	 \$ 2,615,163
<u>OPERATING EXPENSES</u>	
Administrative	\$ 337,906
Utility Expenses	119,853
Ordinary Maintenance	189,847
Protective Services	3,913
General Expenses	<u>59,465</u>
 <u>Total Operating Expenses</u>	 <u>710,984</u>
 <u>Operating Income (Loss)</u>	 \$ 1,904,179
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Depreciation Expenses	\$ (221,064)
Housing Assistance Payments	<u>(1,893,381)</u>
 <u>Total Nonoperating Revenues/(Expenses)</u>	 \$ <u>(2,114,445)</u>
 <u>Change in Net Assets</u>	 \$ <u>(210,266)</u>
 Total Net Assets- Beginning	 <u>2,032,726</u>
 Total Net Assets- Ending	 \$ <u>1,822,460</u>

The Accompanying Footnotes are an Integral Part of the Financial Statements.

LINCOLN PARK HOUSING COMMISSION  
Statement of Cash Flows  
For the Year Ended March 31, 2005

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 272,491
Payments to Suppliers	(2,279,092)
Payments to Employees	(248,574)
HUD Grants	2,299,384
Other Receipts (Payments)	<u>47,431</u>
Net Cash Provided (Used) by Operating Activities	\$ 91,640

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	<u>(31,159)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 60,481
Cash Balance- Beginning of Year	<u>364,214</u>
Cash Balance- End of Year	\$ <u>424,695</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (210,266)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	221,064
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	114,719
Prepaid Expenses	(5,682)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	(30,015)
Accrued Liabilities	1,896
Security Deposits	4,967
Deferred Revenue	<u>(5,043)</u>
Net Cash Provided by Operating Activities	\$ <u>91,640</u>

The Accompanying Notes are an Integral part of the Financial Statements

LINCOLN PARK HOUSING COMMISSION  
Notes to Financial Statements  
March 31, 2005

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Lincoln Park. Housing Commission, Lincoln Park, Michigan, (Commission) was created by ordinance of Lincoln Park. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 32-001	Low rent program	119	units
MI 32-V0 032-2, 3	Section 8 Vouchers	289	units
	Section 8 Mod Rehab	35	units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, the component unit is reported as a blend in the financial data schedule.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, Basic Financial Statements-Management's Discussion and Analysis- for State and Local Governments. Certain of the significant changes in the Statement include the following:

For the first time the financial statements include:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the Housing Commission's financial position and results of operations.
- Financial Statements prepared using full accrual accounting for all the Commission's activities.

A change in the fund financial statements to focus on the major funds.

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1998, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1998, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided that they do not conflict with Governmental Accounting Standards Board (GASB) pronouncements.

Notes to Financial Statements- continued

**Budgetary data-**

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

**Assets, Liabilities, and Net Assets-**

**Deposits & Investments**

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

**Cash Equivalents**

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

**Fixed Assets**

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

**Due to/From Other Funds**

During the course of operations, numerous transactions occur between individual funds for goods or services; these receivables and payables are classified as "due from" or "due to" other funds on the Balance Sheet.

Notes to Financial Statements- continued

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

Checking Accounts	\$ 307,954
Petty Cash	<u>575</u>
Financial Statement Total	\$ <u>424,695</u>

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 424,120	\$	\$	\$ 424,120	\$ 424,120
Petty Cash	<u>575</u>	<u></u>	<u></u>	<u>575</u>	<u>575</u>
Total Cash	\$ <u>424,695</u>	\$ <u></u>	\$ <u></u>	\$ <u>424,695</u>	\$ <u>424,695</u>

Note 3: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 87,209	\$	\$	\$ 87,209
Buildings	1,737,499			1,737,499
Furniture & Equipment-Dwellings	95,879		22,659	73,220
Furniture & Equipment-Admin	149,273		8,398	140,875
Leasehold Improvements	<u>3,634,416</u>	<u>31,159</u>		<u>3,665,575</u>
	\$ 5,704,276	\$ 31,159	\$ 31,057	\$ 5,704,378
Less Accumulated Depreciation	<u>3,979,269</u>	<u>252,121</u>	<u>31,057</u>	<u>4,200,333</u>
	\$ <u>1,725,007</u>	\$ <u>(220,962)</u>	\$	\$ <u>1,504,045</u>



Notes to Financial Statements- continued

Note 4: Accrued Liabilities-Other

Accrued Liabilities-other, consist of the following:

Accrued Management Fees	\$ 1,455
Miscellaneous	1,573
Accrued Utilities Payable	<u>11,862</u>
Financial Statement Total	\$ <u>14,890</u>

Note 5: Pension Plan

The Commission provides a 401K plan for all eligible full time employees. The Commission contributes a percentage of eligible employees wages to the plan and accounts for pension cost as incurred.

Note 6: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 9,446,700
General Liability	2,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders: minimum coverage's required by the State of Michigan	

Note 7: Combining Financial Data Schedules.

The totals in the Combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 8: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

LINCOLN PARK HOUSING COMMISSION  
Schedule of Annual Federal Awards  
For the Year Ended March 31, 2005

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
<u>CFDA 14.850 Public and Indian Housing</u>	
C-3175 Operating Subsidies	\$ <u>200,049</u>
* <u>CFDA 14.871 Housing Assistance Programs</u>	
C-3175V Housing Choice Vouchers	\$ <u>1,859,637</u>
<u>CFDA 14.856 Section 8 Mod Rehab</u>	
C-3175 Section 8 Mod Rehab	\$ <u>137,930</u>
<u>CFDA 14.872 Capital Projects Funds</u>	
C-3175 Capital Projects Grants	\$ <u>101,768</u>
	\$ <u>2,299,384</u>

\*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 9,446,700
General Liability	2,000,000
Automobile Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders:	
minimum coverage's required by the State of Michigan	

## Lincoln Park Housing Commission

31-Mar-05

MI-051

Combining Balance Sheet		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.854	Section 8 Mod Rehab 14.856	Component Unit	Capital Projects Funds 14.872	TOTAL
Line Item #							
	<b>ASSETS:</b>						
	<b>CURRENT ASSETS:</b>						
	Cash:						
111	Cash - unrestricted	252,159	106,403	18,401	47,732		424,695
112	Cash - restricted - modernization and development						-
113	Cash - other restricted						-
114	Cash - tenant security deposits	-					-
100	Total cash	252,159	106,403	18,401	47,732	-	424,695
	Accounts and notes receivables:						
121	Accounts receivable - PHA projects						-
122	Accounts receivable - HUD other projects	-		-		-	-
124	Accounts receivable - other government						-
125	Accounts receivable - miscellaneous	2,141					2,141
126	Accounts receivable- tenants - dwelling rents	678			-		678
126.1	Allowance for doubtful accounts - dwelling rents	(678)					(678)
126.2	Allowance for doubtful accounts - other						-
127	Notes and mortgages receivable- current				-		-
128	Fraud recovery						-
128.1	Allowance for doubtful accounts - fraud						-
129	Accrued interest receivable	-	-				-
120	Total receivables, net of allowances for doubtful accounts	2,141	-	-	-	-	2,141
	Current investments						-
131	Investments - unrestricted	16,318	-		-		16,318
132	Investments - restricted				-		-
142	Prepaid expenses and other assets	-			-		-
143	Inventories	-					-
143.1	Allowance for obsolete inventories	-					-
144	Interprogram - due from	77,000	-	43,897			120,897
146	Amounts to be provided						-
150	TOTAL CURRENT ASSETS	347,618	106,403	62,298	47,732	-	564,051
	<b>NONCURRENT ASSETS:</b>						
	Fixed assets:						
161	Land	87,209	-	-	-		87,209
162	Buildings	1,737,499			-		1,737,499
163	Furniture, equipment & machinery - dwellings	73,220	-		-		73,220
164	Furniture, equipment & machinery - administration	64,211	76,664				140,875
165	Leasehold improvements	3,665,575				-	3,665,575
167	Construction in Progress					-	-
166	Accumulated depreciation	(4,142,976)	(57,357)		-	-	(4,200,333)
160	Total fixed assets, net of accumulated depreciation	1,484,738	19,307	-	-	-	1,504,045
171	Notes and mortgages receivable - non-current				-		-
172	Notes and mortgages receivable-non-current-past due						-
174	Other assets				-		-
175	Undistributed debits						-
176	Investment in joint ventures						-
180	TOTAL NONCURRENT ASSETS	1,484,738	19,307	-	-	-	1,504,045
190	TOTAL ASSETS	1,832,356	125,710	62,298	47,732	-	2,068,096

	LIABILITIES AND EQUITY:					
	LIABILITIES:					
	CURRENT LIABILITIES	-				
311	Bank overdraft	-				-
312	Accounts payable ≤ 90 days	9,021	-	-	-	9,021
313	Accounts payable > 90 days past due					-
321	Accrued wage/payroll taxes payable	8,109	1,509	1,509		11,127
322	Accrued compensated absences	-	-			-
324	Accrued contingency liability					-
325	Accrued interest payable					-
331	Accounts payable - HUD PHA programs		12,125	12,709		24,834
332	Accounts Payable - PHA Projects					
333	Accounts payable - other government	30,266	-			30,266
341	Tenant security deposits	30,939		-	300	31,239
342	Deferred revenues	3,358			-	3,358
343	Current portion of Long-Term debt - capital projects				-	-
344	Current portion of Long-Term debt - operating borrowings				-	-
345	Other current liabilities	-	572	883	-	1,455
346	Accrued liabilities - other	11,862		1,573		13,435
347	Inter-program - due to	-	120,897	-	-	120,897
310	TOTAL CURRENT LIABILITIES	93,555	135,103	16,674	300	245,632
	NONCURRENT LIABILITIES:					
351	Long-term debt, net of current- capital projects				-	-
352	Long-term debt, net of current- operating borrowings					-
353	Noncurrent liabilities- other	-				-
354	Accrued Compensated Absences-non current	-				-
350	TOTAL NONCURRENT LIABILITIES	-	-	-	-	-
300	TOTAL LIABILITIES	93,555	135,103	16,674	300	245,632
	EQUITY:					
501	Investment in general fixed assets					-
	Contributed Capital:					
502	Project notes (HUD)					-
503	Long-term debt - HUD guaranteed					-
504	Net HUD PHA contributions	-	-			-
505	Other HUD contributions	-				-
507	Other contributions	-				-
508	Total contributed capital	-	-	-	-	-
508.1	Investment in Fixed Assets net of related debt	1,484,738	19,307			1,504,045
	Reserved fund balance:					
509	Reserved for operating activities					-
510	Reserved for capital activities					-
511	Total reserved fund balance	-	-	-	-	-
512	Undesignated fund balance/retained earnings	-				-
512.1	Unrestricted Net Assets	254,063	(28,700)	45,624	47,432	318,419
513	TOTAL EQUITY	1,738,801	(9,393)	45,624	47,432	1,822,464
600	TOTAL LIABILITIES AND EQUITY	1,832,356	125,710	62,298	47,732	2,068,096

Proof of concept

- - - - -

## Lincoln Park Housing Commission

31-Mar-05

MI-051

Combining Statement of Revenue & Expenses		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.854	Section 8 Mod Rehab 14.856	Component Unit	Capital Projects Funds 14.872	TOTAL
Line Item #							
	<b>REVENUE:</b>						
703	Net tenant rental revenue	268,348			-		268,348
704	Tenant revenue - other	-					-
705	Total tenant revenue	268,348	-	-	-	-	268,348
706	HUD PHA grants	200,049	1,859,637	137,930		101,768	2,299,384
708	Other government grants						-
711	Investment income - unrestricted	1,850	317	21	165		2,353
712	Mortgage interest income	-					-
714	Fraud recovery		-				-
715	Other revenue	35,621	9,457		-		45,078
716	Gain or loss on the sale of fixed assets	-					-
720	Investment income - restricted				-		-
700	<b>TOTAL REVENUE</b>	505,868	1,869,411	137,951	165	101,768	2,615,163
	<b>EXPENSES:</b>						
	Administrative						
911	Administrative salaries	89,447	43,826	3,702	-		136,975
912	Auditing fees	3,400	-		-		3,400
913	Outside management fees	45,696	45,084	5,460	-		96,240
914	Compensated absences	-	-				-
915	Employee benefit contributions- administrative	15,528	11,299	1,230	-		28,057
916	Other operating- administrative	69,646	1,997	1,591		-	73,234
	Tenant services						
921	Tenant services - salaries	-					-
922	Relocation costs						-
923	Employee benefit contributions- tenant services	-					-
924	Tenant services - other	-				-	-
	Utilities						
931	Water	22,987			-		22,987
932	Electricity	55,823			-		55,823
933	Gas	41,043					41,043
934	Fuel						-
935	Labor						-
937	Employee benefit contributions- utilities						-
938	Other utilities expense	-					-
	Ordinary maintenance & operation						
941	Ordinary maintenance and operations - labor	71,866	36,013	3,720			111,599
942	Ordinary maintenance and operations - materials & other	47,547			-		47,547
943	Ordinary maintenance and operations - contract costs	7,715			-		7,715
945	Employee benefit contributions- ordinary maintenance	12,476	9,280	1,230			22,986
	Protective services						
951	Protective services - labor						-

952	Protective services- other contract costs						-
953	Protective services - other	3,913					3,913
955	Employee benefit contributions- protective services						-
	General expenses						
961	Insurance premiums	40,477	-		-		40,477
962	Other General Expenses				-		-
963	Payments in lieu of taxes	14,431			-		14,431
964	Bad debt - tenant rents	4,557			-		4,557
965	Bad debt- mortgages						-
966	Bad debt - other						-
967	Interest expense				-		-
968	Severance expense						-
969	<b>TOTAL OPERATING EXPENSES</b>	546,552	147,499	16,933	-	-	710,984
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	(40,684)	1,721,912	121,018	165	101,768	1,904,179
971	Extraordinary maintenance	-			-		-
972	Casualty losses - non-capitalized	-					-
973	Housing assistance payments		1,773,848	119,533			1,893,381
974	Depreciation expense	218,919	2,145	-	-		221,064
975	Fraud losses						-
976	Capital outlays- governmental funds	-					-
977	Debt principal payment- governmental funds						-
978	Dwelling units rent expense						-
900	<b>TOTAL EXPENSES</b>	765,471	1,923,492	136,466	-	-	2,825,429
	<b>OTHER FINANCING SOURCES (USES)</b>						
1001	Operating transfers in	101,768				(101,768)	
1002	Operating transfers out						
1003	Operating transfers from/to primary government						
1004	Operating transfers from/to component unit						
1005	Proceeds from notes, loans and bonds						
1006	Proceeds from property sales						
1010	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	101,768	-	-	-	(101,768)	-
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TO</b>	(157,835)	(54,081)	1,485	165	-	(210,266)

LINCOLN PARK HOUSING COMMISSION  
Status of Prior Audit Findings  
March 31, 2005

The prior audit of the Lincoln Park Housing Commission for the period ended March 31, 2004, contained three audit findings; the following represents the actions taken by the Commission:

- 1) Collateralization Agreement- The Commission invested its funds in a collateralized sweep account.
- 2) Tenant Accounting Discrepancies Section 8- The discrepancies noted in the prior audit have been corrected and no evidence of reoccurrence in the current year; however, other discrepancies were noted. See findings.

LINCOLN PARK HOUSING COMMISSION  
Report on Compliance with Requirements  
Applicable to Each Major Program  
and on Internal Control over Compliance in  
Accordance with OMB Circular A-133  
March 31, 2005

Compliance

I have audited the compliance of Lincoln Park Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended March 31, 2005. Lincoln Park Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lincoln Park Housing Commission's management. My responsibility is to express an opinion on Lincoln Park Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lincoln Park Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Lincoln Park Housing Commission's compliance with those requirements.

In my opinion, Lincoln Park Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended March 31, 2005. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
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Low Rent Public Housing:

Tenant Accounting Discrepancies	05-1	Eligibility
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Section 8 Housing Choice Vouchers:

Tenant Accounting Discrepancies 05-2    Eligibility

Section 8 Mod Rehab:

Tenant Accounting Discrepancies 05-3    Eligibility

Internal Control over Compliance

The management of Lincoln Park Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Lincoln Park Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

August 5, 2005

LINCOLN PARK HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
March 31, 2005

I have audited the financial statements of Lincoln Park Housing Commission, Lincoln Park, Michigan, as of and for the year ended March 31, 2005, and have issued my report thereon dated August 5, 2005. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lincoln Park Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs: finding 05-1, 05-2, and 05-3.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lincoln Park Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Lincoln Park Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

August 5, 2005

LINCOLN PARK HOUSING COMMISSION  
Schedule of Findings and Questioned Cost  
March 31, 2005

Summary of Auditor's Results:

Programs:

	<u>Major Program</u>	<u>Non Major Program</u>
Section 8 Housing Choice Vouchers	X	
Low income Public Housing	X	
Section 8 Mod Rehab	X	
Capital Fund Program	X	

Opinions:

General Purpose Financial Statements-  
unqualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
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Reportable condition(s) noted	_____ Yes	_____ X _____ No
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Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No
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Report on compliance for Federal programs-  
Qualified

Material weakness(es) noted	_____ Yes	_____ X _____ No
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Reportable condition(s) noted	_____ X _____ Yes	_____ _____ No
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Non Compliance material to financial statements noted	_____ Yes	_____ X _____ No
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Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

The Auditee did qualify as a low risk auditee.

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Public Housing	No	None	05-1
Section 8 Mod Rehab	No	None	05-2
Capital Fund Program	No	None	N/A
Section 8 Housing Choice Vouchers	Yes	None	05-3

LINCOLN PARK HOUSING COMMISSION  
Findings, Recommendations and Replies  
March 31, 2005

The following findings of the Lincoln Park Housing Commission, for the year ended March 31, 2005, were discussed with the Property Manager in an exit interview conducted on August 5, 2005:

Low Rent Public Housing:

Finding 05-1 Tenant Accounting Discrepancies

Seven files were tested; the Commission is using a month to month lease.

Recommendation

HUD now requires an annual lease; the Commission should revise its lease to reflect the new requirements.

Reply

The lease has been revised. All new move-ins are signing a lease that will renew annually instead of month to month. The revised lease will be signed by all residents at recertification starting September 2005.

Section 8 Housing Choice Vouchers:

Finding 05-2 Tenant Accounting Discrepancies.

10 Section 8 Housing Choice Voucher files were tested; the following discrepancies were noted:

2 of the ten were re-examined late.

1 used the wrong income

Recommendation

HUD requires all tenants be recertified annually; late re-examinations could result in a loss of income. I recommend all tenants be re-examined in a timely manner.

Reply

Re-examinations were late due to staffing turnover. The one file was corrected where the income was calculated incorrectly.

Section 8 Mod Rehab:

Finding 05-3: Tenant Accounting Discrepancies

2 of the 5 files tested were re-examined late.

Recommendation

As stated in finding 05-2, HUD requires timely recertification's; I recommend the Commission institute a plan to insure timely recertification's.

Reply

Re-examinations were late due to staffing turnover.